

GENERAL MINING CORPORATION LIMITED
ACN 125 721 075

Annual Report to Shareholders
2014

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WESTERN AUSTRALIA
GOLD PROJECT LOCATIONS

CORPORATE DIRECTORY

ACN: 125 721 075

ABN: 95 125 721 075

DIRECTORS

Michael Wright Non-Executive Chairman

Craig Readhead Non-Executive Director

Robert Wanless Non-Executive Director

Michael Fotios Non-Executive Director

AUDITORS

Stantons International

Level 2, 1 Walker Avenue

West Perth WA 6005

Tel: +61 (8) 9481 3188

Fax: +61 (8) 9321 1204

COMPANY SECRETARY

Karen Brown Joint Company Secretary

Lindsay Colless Joint Company Secretary

SHARE REGISTRY

Advanced Share Registry Limited

110 Stirling Highway

Nedlands WA 6009

Tel: +61 (8) 9389 8033

Fax: +61 (8) 9262 3723

REGISTERED AND PRINCIPAL OFFICE - AUSTRALIA

General Mining Corporation Limited

Ground Floor, 89 Burswood Road

Burswood WA 6100

Australia

Telephone: +61 (8) 9227 1186

Facsimile: +61 (8) 9227 8178

Internet: www.generalmining.com

SOLICITORS

Allion Legal

Level 2

50 Kings Park Road

West Perth WA 6005

CAPITAL STRUCTURE

Shares

Issued: 134,313,993

Quoted: 134,313,993

Options

Issued: 26,018,248

Quoted: 5,801,582

CHAIRMAN'S REPORT

On behalf of the Directors of General Mining Corporation Limited (ASX code: GMM), I present the 2014 annual report of the Company.

The past year has been challenging on for your company and for the junior resource sector as a whole with limited market enthusiasm and consequently limited opportunities for access to future funding.

The Company has continued to concentrate its efforts on the gold projects at Chesterfield, Mt Success and Mercury Hill in Western Australia however activity has been constrained by the need to conserve funds in this current climate. Cash outlays have been reduced to a minimum and, in particular, your directors have deferred receiving their directors' fees in cash for the present.

The Company also continues to seek out appropriate new opportunities within the parameters of our strategy. As discussed in last year's report, key to this strategy is the principle that projects owned or under acquisition should be located in proximity to existing plants. The Company recognises there is an over-supply of mills and an under-supply of economic ore feed and it is not our intention to construct mills and processing infrastructure, but to find synergies with existing facilities.

I would like to thank my fellow Board members, staff and consultants, for their efforts throughout the year.

Michael Wright
Chairman

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of General Mining Corporation Limited (ACN 125 721 075) (ASX code GMM) ("GMM" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of General Mining Corporation Limited during the whole year and up to the date of this report, unless otherwise noted:

Michael Wright - Chairman

Craig Readhead - Non-executive Director

Robert Wanless - Non-executive Director

Michael Fotios - Non-executive Director

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the course of the financial year were the exploration and assessment of mineral exploration projects in Australia and Mongolia. There has been no significant change in the nature of these activities during the financial year.

RESULTS

The consolidated loss of the economic entity attributable to the shareholders of the holding company for the financial year after abnormal items and income tax was \$717,688 (2013 \$1,844,589).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 30 June 2014, nor have the Directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

The Company's portfolio of exploration properties in Western Australia is focussed mainly on gold projects in the Murchison (Mt Success and Chesterfield) and Pilbara (Mercury Hill) Goldfields in Western Australia. However interest in Mongolia has been downgraded during the year and the licence holdings surrendered.

Highlights of the Company's operations are:

Western Australia

Chesterfield, Murchison Region (Gold, GMM 100%)

- Peer review of identified targets was conducted and proposed field activities, including an internal audit of QAQC methods used for exploration data collection and management for compliance with ongoing JORC 2012 reporting requirements was completed during this period.
- The internal review confirmed that drilling completed by GMM during 2013 along with historic drilling has confirmed that Chesterfield, which is 50km north-west of Meekatharra and 100 per cent-owned by General Mining, has strong potential for high-grade vein-hosted gold mineralisation.
- Planning for follow up reverse circulation ("RC") and diamond drilling was finalised along with a review of geochemical/mapping data along the two kilometre long Marguaritta – Dorothy trend.
- Numerous targets remain to be tested and will form part of the drilling plan currently being finalised
- High-grade mineralisation intersected by previous RC drilling about 60m east of the Dorothy mineralisation and hosted by veining within mafic volcanics is yet to be tested down dip with diamond drilling.

Mt Success, Murchison Region (Gold, GMM options to acquire 100%)

- Following the promising results from the first stage of drilling at M58/72 the Company is planning to widen the exploration activities in 2014-2015 incorporating nearby optioned prospecting tenements into the Project.
- Detailed geological mapping will be carried out together with geochemical sampling on a 50x200m grid covering both the Mt Success and Mt Success Extended options tenements.
- An initial program of systematic rock chip sampling along the reef is planned to identify the distribution of gold along the structure.
- The optioned tenements include the strike extensions of the Mt Success Reef structure which has returned some anomalous gold values in last year's drilling assay results completed by General Mining Corporation. There is additional information that is yet to be verified, which also shows a number of old workings and costeans to the east and west of the Mt Success reef structure that may also contain anomalous gold grades.

DIRECTORS' REPORT (Continued)

REVIEW OF OPERATIONS (Continued)

Mercury Hill, Pilbara Region (Gold, GMM 100%)

- A peer review of identified targets and proposed field activities was completed.
- Activities focused on completion of annual technical reporting.

Shoemaker (Iron & Gold, GMM 80%)

- No field activity as activities focused on commencement of annual technical reporting.

Mongolia (Base Metals, Coal & Potash GMM 100%)

Uvs Basin and Khangai

- During the year the Company continued with the shutdown of its Mongolian operations. The last remaining licence expired in June.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year other than as disclosed elsewhere in this report and as noted in the Statement of Financial Position and Statement of Comprehensive Income.

EVENTS SUBSEQUENT TO BALANCE DATE

On 3 September 2014, 3,833 options were exercised at 10 cents each and the remaining 5,797,796 options in that class expired unexercised.

On 31 August 2014, 550,000 options exercisable at 20 cents each expired unexercised.

On 13 July 2014, 3,333,334 options exercisable at 10 cents each expired unexercised.

No other matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the financial year and to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of the economic entity, or the state of affairs of the economic entity in the financial years subsequent to the financial year ended 30 June 2014.

LIKELY DEVELOPMENTS

The Company intends to continue development of its current businesses, to develop new businesses, and to seek other areas of investment in resources and other industries. Further information on likely developments in the operations of the Company and expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

PARTICULARS OF DIRECTORS

Michael Wright, Chairman

Mr Wright (56) has had over 28 years experience in the resources industry, particularly in the management of listed resource companies in the gold, minerals and oil and gas sectors. During that time he has held positions with Herald Resources, Laurel Bay Petroleum, Occidental Oil, the Griffin Coal Group, Arthur Andersen and others. An executive director of Herald Resources from 1993 until September 2008, Mr Wright had overseen the development of 6 mines since joining that company. As part of that process, he was also instrumental in some of the early resource loans and innovative hedging arrangements in their infancy in Australia. Mr Wright was also a non-executive director of Jaguar Minerals Ltd (now named Pacifico Minerals Ltd) until October 2010.

Craig Readhead, B Juris Lib, Director

Mr Readhead (60) holds the degrees of Bachelor of Law and Bachelor of Jurisprudence from the University of Western Australia. He has spent more than 30 years practicing in the resources law area and was a partner of a major Perth Law firm before forming his own practice 19 years ago. He is now a partner of the law firm Allion Legal. Mr Readhead has had a significant role in the development of a number of mining projects within Australia, Africa and South East Asia. Mr Readhead is a director of a number of listed and unlisted companies. He has been a director of the following listed companies in the past 3 year period: Heron Resources Limited (appointed director November 2001, chairman since March 2002), Mount Gibson Iron Limited (appointed December 2001, chairman since November 2010, resigned December 2011), Frankland River Olive Company Limited (appointed as director September 1999, chairman since March 2010, resigned June 2012), Galaxy Resources Limited (appointed director and chairman April 1999, resigned November 2013), India Resources Limited (appointed February 2007, resigned August 2012), Beadell Resources (appointed director and chairman April 2011), Redbank Copper Limited (appointed April 2013), Swan Gold Mining Limited (appointed March 2013) and Western Areas Ltd (appointed June 2014).

DIRECTORS' REPORT (Continued)

PARTICULARS OF DIRECTORS (Continued)

Robert Wanless, Director

Mr Wanless (67) is a prospector and mining investor with 37 years mining experience. He was employed by Placer Exploration Limited as a professional prospector and exploration supervisor covering South East Asia and Australia including exploration at Laloki, Watut and Pleysumi (PNG) and throughout Western Australia. Since then he has embarked on all aspects of mineral exploration, assessment, acquisition, fieldwork, development and mining, mainly in Western Australia. He has negotiated numerous mining related sale and joint venture agreements with International and Australian mining companies involving gold, base metals and industrial mineral properties. Recently he managed the Alicia Gold Mine in Western Australia. He is a past founding director of ASX listed Greenstone Resources NL and a current founding director of ASX listed Galaxy Resources Ltd (appointed January 1996, resigned November 2013).

Michael Fotios, Director

Mr Fotios (52) is a Geologist specialising in Economic Geology with 28 years extensive experience in exploration throughout Australia, taking projects from exploration to feasibility. He has held positions with Homestake Australian Limited and Sons of Gwalia Limited and was a Managing Director of Tantalum Australia NL (now ABM resources Ltd) and of Galaxy Resources Limited. He was a non-executive director of Northern Star Resources Ltd (from September 2009 to October 2013), a director of Stirling Resources Limited (September to November 2012) and founder and Executive Chairman of Investmet. He is also currently a director of Horseshoe Metals Limited (from May 2012), Pegasus Metals Ltd (from December 2009), Swan Gold Mining Limited (from September 2012) and Redbank Copper Limited (from September 2012)..

Lindsay Colless, CA, FAICD Joint Company Secretary

Mr Colless (69) is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 36 years experience in commerce, most of which has been in the mineral and petroleum exploration industries in the capacities of financial controller, company secretary and director. He is joint company secretary of Alkane Resources Ltd.

Karen Brown, BEc(Hons) Joint Company Secretary

Miss Brown, (54) is an Honours Degree graduate in economics from the University of Western Australia. Miss Brown has considerable experience in corporate administration of public listed companies over a period spanning 27 years, primarily in the resources sector and is currently a joint company secretary for Alkane Resources Ltd.

At the date of this report, the interests of the directors in the shares and options of General Mining Corporation Ltd (directly and indirectly) were:

| | Number of ordinary shares | Number of options over ordinary shares |
|----------------|---------------------------|--|
| Michael Wright | 3,774,625 | 167,760 |
| Michael Fotios | 46,258,847 | 14,141,961 |
| Robert Wanless | 2,570,000 | - |
| Craig Readhead | 2,179,034 | 49,999 |

DIRECTORS' MEETINGS

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2014, and the number of meetings attended by each director.

There were eight (8) Board Meetings and one (1) Audit Committee meeting. There were no Nomination or Remuneration Committee meetings held during the financial year. The number of meetings attended by each director during the year is as follows:

| Director | Board meetings | | Audit Committee | | Nomination Committee | | Remuneration Committee | | Risk Management Committee | |
|------------|----------------|----------|-----------------|----------|----------------------|----------|------------------------|----------|---------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| M Wright | 8 | 8 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| C Readhead | 8 | 6 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| M Fotios | 8 | 8 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| R Wanless | 8 | 8 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |

DIRECTORS' REPORT (Continued)

DIRECTORS' MEETINGS (Continued)

Committee Membership

Directors acting on the committees of the board during the year were:

| Audit | Nomination | Remuneration | Risk Management |
|------------|------------|--------------|-----------------|
| M Wright | M Wright | M Wright | M Wright |
| C Readhead | C Readhead | C Readhead | C Readhead |
| R Wanless | | R Wanless | R Wanless |
| | | | M Fotios |

2014 REMUNERATION REPORT (Audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information (unaudited)

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 1024 Related Party Disclosures. These disclosures have been transferred from the financial statements and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A Principles used to determine the nature and amount of remuneration (audited)

Remuneration Policy

The remuneration policy of General Mining Corporation Limited ("GMM") has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Consolidated Entity's financial results. The board of GMM believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Consolidated Entity.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Consolidated Entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. Some Directors are entitled to receive a base salary. The board will review executive packages annually by reference to the Consolidated Entity's performance, executive performance and comparable information from industry sectors and other companies in similar industries.
- The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- Executives are also entitled to participate in the employee share and option arrangements.
- The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.25% (9.5% from 1 July 2014), and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology
- The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company. In accordance with the Constitution, the maximum total remuneration for non-executive Directors is to be \$250,000 per annum.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

A Principles used to determine the nature and amount of remuneration (Continued)

Remuneration Policy (Continued)

Performance based remuneration

The Company currently has no other performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive's performance. Currently, this is facilitated through the issue of options to the directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to note 15(e) of the financial statements.

B Details of remuneration (audited)

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of GMM and the Consolidated Entity are set out in the following tables.

The key management personnel of GMM and the Consolidated Entity include the directors as noted in the Particulars of Directors and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity:

- Lindsay Colless and Karen Brown – Joint Company Secretaries

Given the size and nature of operations of GMM and the Consolidated Entity, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Key management personnel and other executives of GMM and the Consolidated Entity

Details of remunerations to directors are as follows:

| | Consolidated | |
|---|--------------|---------|
| | 2014 | 2013 |
| | \$ | \$ |
| Directors' income (see also Note 15) | | |
| Total income received, or due and receivable, by directors of General Mining Corporation Limited from the company and any related body corporate in connection with the management of the Company and any related body corporate. | 180,008 | 248,679 |
| Total income received, or due and receivable, by directors of subsidiaries only, from the company and any related body corporate in connection with the management of the Company and any related body corporate. | - | - |

The details of remuneration of the directors and key management personnel of General Mining Corporation Limited ("GMM") are set out in the following tables. The key management personnel of "GMM" are the following: Michael Wright, Craig Readhead, Robert Wanless, Michael Fotios, Lindsay Colless and Karen Brown.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

The details of directors' remunerations paid or payable are as follows:

Directors

Directors

| Name | Short-term benefits | Share-based payment | | | | Proportion of remuneration | |
|----------------------------|-----------------------|--------------------------------|----------------------|---------------|-------------|----------------------------|---|
| | Salary and fees \$ | Post-employment benefits \$ | Accrued Shares \$ | Options \$ | Total \$ | Fixed % of remuneration | Value of options as a % of remuneration |
| 2014 | | | | | | | |
| Michael Wright Chairman | 60,000 | - | - | - | 60,000 | 100% | - |
| Robert Wanless Director | 40,000 | - | - | - | 40,000 | 100% | - |
| Craig Readhead Director | 40,008 | - | - | - | 40,008 | 100% | - |
| Michael Fotios Director | 40,000 | - | - | - | 40,000 | 100% | - |
| | 180,008 | - | - | - | 180,008 | | |
| 2013 | | | | | | | |
| Michael Wright Chairman | 60,000 | - | - | - | 60,000 | 100% | - |
| Robert Wanless Director | 48,170 | - | - | - | 48,170 | 100% | - |
| Craig Readhead Director | 40,008 | - | - | - | 40,008 | 100% | - |
| Michael Fotios Director | 40,000 | - | - | 60,501 | 100,501 | 40% | 60% |
| | 188,178 | - | - | 60,501 | 248,679 | | |

Details of remuneration of other key management personnel are as follows:

Other key management personnel

| Other key management personnel | | | | | | | |
|--|----------------------------|--------------------------------|----------------------------|---------------|-------------|----------------------------|---|
| Name | <u>Short-term benefits</u> | | <u>Share-based payment</u> | | | Proportion of remuneration | |
| | Salary and Fees \$ | Post-employment benefits \$ | Accrued Shares \$ | Options \$ | Total \$ | Fixed % of remuneration | Value of options as a % of remuneration |
| 2014 | | | | | | | |
| L Colless & K Brown Company Secretarial and administration fees | 84,000 | - | - | - | 84,000 | 100% | - |
| | 84,000 | - | - | - | 84,000 | | |
| 2013 | | | | | | | |
| L Colless & K Brown Company Secretarial and administration fees | 84,000 | - | - | - | 84,000 | 100% | - |
| | 84,000 | - | - | - | 84,000 | | |

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

| Summary | Short-Term | | Post Employment | Share-based Payments | | Total |
|---|---------------|--------------|-----------------|----------------------|---------|---------|
| | Salary & Fees | Non Monetary | | Accrued Shares | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| M Wright | | | | | | |
| 2014 | 60,000 | - | - | - | - | 60,000 |
| 2013 | 60,000 | - | - | - | - | 60,000 |
| R Wanless | | | | | | |
| 2014 | 40,000 | - | - | - | - | 40,000 |
| 2013 | 48,170 | - | - | - | - | 48,170 |
| C Readhead | | | | | | |
| 2014 | 40,008 | - | - | - | - | 40,008 |
| 2013 | 40,008 | - | - | - | - | 40,008 |
| M Fotios | | | | | | |
| 2014 | 40,000 | - | - | - | - | 40,000 |
| 2013 | 40,000 | - | - | - | 60,501 | 100,501 |
| Other key management personnel | | | | | | |
| L Colless & K Brown – Joint Company Secretarial and administration fees | | | | | | |
| 2014 | 84,000 | - | - | - | - | 84,000 |
| 2013 | 84,000 | - | - | - | - | 84,000 |
| Total | | | | | | |
| 2014 | 264,008 | - | - | - | - | 264,008 |
| 2013 | 272,178 | - | - | - | 60,501 | 332,679 |

The total amount of insurance contract premiums paid is \$11,600 (2013:\$10,938). This is not included in the Key Management Personnel compensation above. The insurance is split evenly over all the directors.

Directors' shareholdings

The interests of Directors and their Director related entities in shares and share options at the end of the financial period are as follows:

| Name of Director | Shares held directly | Shares held indirectly | Options held directly | Options held indirectly |
|------------------|----------------------|------------------------|-----------------------|-------------------------|
| M Wright | 1,500,000 | 2,274,625 | 133,333 | 202,188 |
| C Readhead | - | 2,179,034 | - | 99,998 |
| R Wanless | 1,810,000 | 760,000 | - | - |
| M Fotios | - | 46,258,847 | - | 21,950,589 |
| Total | 3,310,000 | 51,472,506 | 133,333 | 22,252,775 |

Note:

| 2014 | Balance at the start of the financial year | Changes during the year | Issued during the year on exercise of options | Balance at the end of the financial year |
|--|--|-------------------------|---|--|
| (1) Shares | | | | |
| Directors of General Mining Corporation Limited | | | | |
| M Wright | 3,019,700 | 754,925 | - | 3,774,625 |
| C Readhead | 1,743,227 | 435,807 | - | 2,179,034 |
| R Wanless | 4,070,000 | (1,500,000) | - | 2,570,000 |
| M Fotios | 33,425,885 | 12,832,962 | - | 46,258,847 |
| Key Management Personnel | | | | |
| K Brown & L Colless | 403,300 | 98,325 | - | 501,625 |
| Total shares | 42,662,112 | 12,622,019 | - | 55,284,131 |

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

| 2014 | Name | Balance at the start of the financial year | Changes during the year | Issued during the year on exercise of options | Balance at the end of the financial year |
|-------------|--|---|--------------------------------|--|---|
| | (2) Options | | | | |
| | Directors of General Mining Corporation Limited | | | | |
| | M Wright | 503,283 | (167,762) | - | 335,521 |
| | C Readhead | 150,000 | (50,002) | - | 99,998 |
| | R Wanless | - | - | - | - |
| | M Fotios | 33,092,551 | (11,141,962) | - | 21,950,589 |
| | Key Management Personnel | | | | |
| | K Brown & L Colless | 65,550 | (21,850) | - | 43,700 |
| | Total Options | 33,811,384 | (11,381,576) | - | 22,429,808 |
| 2013 | Name | Balance at the start of the financial year | Changes during the year | Issued during the year on exercise of options | Balance at the end of the financial year |
| | (1) Shares | | | | |
| | Directors of General Mining Corporation Limited | | | | |
| | M Wright | 2,516,417 | 503,283 | - | 3,019,700 |
| | C Readhead | 1,593,227 | 150,000 | - | 1,743,227 |
| | R Wanless | 4,570,000 | (500,000) | - | 4,070,000 |
| | M Fotios | 10,000,000 | 23,425,885 | - | 33,425,885 |
| | Key Management Personnel | | | | |
| | K Brown & L Colless | 337,750 | 65,550 | - | 403,300 |
| | Total shares | 19,017,394 | 23,644,718 | - | 42,662,112 |
| | (2) Options | | | | |
| | Directors of General Mining Corporation Limited | | | | |
| | M Wright | 2,000,000 | (1,496,717) | - | 503,283 |
| | C Readhead | 2,000,000 | (1,850,000) | - | 150,000 |
| | R Wanless | 1,000,000 | (1,000,000) | - | - |
| | M Fotios | 10,000,000 | 23,092,551 | - | 33,092,551 |
| | Key Management Personnel | | | | |
| | K Brown & L Colless | - | 65,550 | - | 65,550 |
| | Total Options | 15,000,000 | 18,811,384 | - | 33,811,384 |

C Service agreements (audited)

Michael Wright

Michael Wright was appointed as a non-executive director on 25 February 2008, and as chairman on 1 October 2009. The agreement was renewed on 1 October 2009. As per the revised agreement, the term of appointment will expire on the 3rd annual general meeting or earlier by rotation. Mr Wright was re-elected by rotation in 2010 and again in 2012. Director's fees are payable at \$60,000 per annum (inclusive of any applicable statutory superannuation). The agreement will be terminated on occurrence of any of the events mentioned in the agreement.

Craig Readhead

Craig Readhead was appointed as a Director of the Company and Chairman of the Board on the 10 September 2007. The agreement was renewed on 1 October 2009. As per the revised agreement, the term of appointment will expire on the 3rd annual general meeting or earlier by rotation. Mr Readhead was re-elected by rotation in 2010 and again in 2013. Director's fees are payable at \$40,000 per annum (inclusive of any applicable statutory superannuation) thereafter. The agreement will be terminated on occurrence of any of the events mentioned in the agreement.

DIRECTORS' REPORT (Continued)

REMUNERATION REPORT (Continued)

Robert Wanless

Robert Wanless was appointed as Director of GMM at the first meeting of Directors held on 31 May 2007. The agreement was renewed on 1 October 2009. As per the revised agreement, the term of appointment will expire on the 3rd annual general meeting or earlier by rotation. Mr Wanless was re-elected by rotation in 2011. Directors fees are payable at \$40,000 per annum (inclusive of any applicable statutory superannuation). The agreement will be terminated on occurrence of any of the events mentioned in the agreement.

Michael Fotios

Michael Fotios was appointed as Director of GMM at the general meeting held on 15 June 2012. The term of appointment will expire on the 3rd annual general meeting after appointment, or earlier by rotation. Directors fees are payable at \$40,000 per annum (inclusive of any applicable statutory superannuation). The agreement will be terminated on occurrence of any of the events mentioned in the agreement.

Lindsay Colless and Karen Brown

Lindsay Colless and Karen Brown were appointed as Joint Company Secretaries on 11 February 2008 (the agreement was renewed on October 2009 and is ongoing). Fees for the provision of services are \$7,000 per month.

D Share-based compensation (audited)

Options were granted to a director during the year – refer also to the directors' report.

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the past two years and details of options that were vested during the past two years are as follows:

| 2014 | Number of options granted during the year | Grant Date | Fair value of option at grant date | Exercise price per option | Expiry date | Number of options vested during the year |
|------------|---|------------|--|------------------------------|-------------|--|
| Directors | | | \$ | \$ | | |
| M Wright | - | - | - | - | - | - |
| C Readhead | - | - | - | - | - | - |
| R Wanless | - | - | - | - | - | - |
| M Fotios | - | - | - | - | - | - |
| Executives | | | | | | |
| L Colless | - | - | - | - | - | - |
| K Brown | - | - | - | - | - | - |
| 2013 | Number of options granted during the year | Grant Date | Fair value of option at grant date | Exercise price per option | Expiry date | Number of options vested during the year |
| Directors | | | \$ | \$ | | |
| M Wright | - | - | - | - | - | - |
| C Readhead | - | - | - | - | - | - |
| R Wanless | - | - | - | - | - | - |
| M Fotios | 3,000,000 | 13/07/12 | 60,501 | 0.089 | 31/03/15 | 3,000,000 |
| Executives | | | | | | |
| L Colless | - | - | - | - | - | - |
| K Brown | - | - | - | - | - | - |

DIRECTORS' REPORT (Continued)

D Share-based compensation (Continued)

Value of options issued to Directors and Executives (audited)

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

| Directors | Options exercised | Options lapsed | Total value of options granted or exercised | Value of options included in remuneration for the year | Percentage of total remuneration for the year that consists of options |
|------------|------------------------------|---------------------------|---|--|--|
| | Value at exercise date \$ | Value at lapse date \$ | | | |
| M Wright | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | 980 | - | - | - |
| C Readhead | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | 831 | - | - | - |
| R Wanless | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | 396 | - | - | - |
| M Fotios | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | - | 60,501 | 60,501 | 60% |
| Executives | | | | | |
| | Options exercised | Options lapsed | Total value of options granted, exercised, lapsed | Value of options included in remuneration for the year | Percentage of total remuneration for the year that consists of options |
| | Value at exercise date \$ | Value at lapse date \$ | | | |
| L Colless | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | - | - | - | - |
| K Brown | | | | | |
| 2014 | - | - | - | - | - |
| 2013 | - | - | - | - | - |

The value of options granted during the period is recognised in compensation over the vesting period of the option, in accordance with Australian Accounting standards.

DIRECTORS' REPORT (Continued)**E Additional information – (unaudited)****Performance income as a proportion of total compensation**

No performance based bonuses have been paid to key management personnel during the financial year

Share Options

Options to take up ordinary shares in the capital of GMM have been granted as follows:

| Outstanding as at the date of this report: | Number |
|--|------------|
| Listed and unlisted options exercisable | |
| Outstanding as at date of this report | 26,018,248 |
| Outstanding at end of the financial period | 35,703,211 |
| Outstanding at the beginning of the financial period | 48,173,567 |
| Expired during the financial period | 12,463,521 |
| Granted during the financial period | Nil |
| Exercised during the financial period | 6,835 |

Unissued shares under option:

a) At the date of this report unissued ordinary shares of the Company under option to directors in their capacity as directors of the Company are:

| Expiry Date | Exercise Price | Number of options |
|--------------|----------------|-------------------|
| 31/03/2015 | 0.089 | 3,000,000 |
| Total | | 3,000,000 |

b) At the date of this report other unissued ordinary shares of the Company under option are:

| Expiry Date | Exercise Price | Number of options |
|--------------|----------------|-------------------|
| 28/06/2015 | 0.125 | 3,333,333 |
| 13/07/2015 | 0.125 | 3,333,333 |
| 21/12/2014 | 0.20 | 550,000 |
| 03/09/2015 | 0.125 | 5,801,582 |
| 31/03/2015 | 0.125 | 10,000,000 |
| Total | | 23,018,248 |

SHARES ISSUED ON THE EXERCISE OF OPTIONS

There were 6,835 ordinary shares issued during the year ended 30 June 2014 on the exercise of options granted under the Employee Share Option Plan. No options were issued outside of the Employee Share Option Plan to a director of the Consolidated Entity during the year. Since year-end to the date of this report 3,833 options have been exercised.

Options exercised during the year:

| Expiry Date | Exercise Price | Number of options |
|--------------|----------------|-------------------|
| 03/09/2014 | 0.075 | 5,502 |
| 03/09/2014 | 0.10 | 667 |
| 03/09/2015 | 0.125 | 666 |
| Total | | 6,835 |

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate. The names of all holders of options are entered into the Company's register, inspection of which may be made free of charge.

DIRECTORS' REPORT (Continued)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of General Mining Corporation Limited support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing corporate governance. The Company's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report.

ENVIRONMENTAL REGULATION

The Consolidated Entity is regulated by environmental authorities in Australia and Mongolia in respect of its exploration and mining activities. The Consolidated Entity is subject to environmental controls and licence conditions on all its mineral exploration tenements relating to any exploration activity on those tenements. No breaches of any licence were recorded during the year.

In July 2009 the Law on Prohibition of Mineral Prospecting Exploration in Water Basin Areas and Forest Areas was enacted in Mongolia. While the effect of this law is uncertain, it appears to prohibit mining and exploration activities in water basins and forest areas of the country and the Mongolian government has been reviewing existing licences for revocation (and compensation payment) under the law. Some of the Company's licences are affected by this law but it is still uncertain whether any licences will be revoked in whole or in part, as the Mongolian Government is yet to adopt a resolution containing a definitive list of exploration licenses to be revoked and, to date, the Company is not aware of any such resolutions proposed. The Company has relinquished its Mongolian tenements during the year and is no longer until any environmental regulations in Mongolia.

DIRECTORS AND OFFICERS INSURANCE

During the financial year, the Company paid an insurance premium to insure the directors and secretaries of the Company and its controlled entities. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving wilful breach of duty by the officers or the improper use by the officers of their position or information obtained. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The directors have not included details of the nature of liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

DIRECTORS' INDEMNITIES

The Company has entered into deeds of indemnity, access and insurance with each of the Directors. These deeds remain in effect as at the date of this report. Under the Deeds, the Company indemnifies each Director to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the Directors in connection with being a Director of the Company, or breach by the Group of its obligations under the Deed.

No liability has arisen under this indemnity as at the date of this report.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such by an officer.

DIRECTORS' REPORT (Continued)**AUDIT INDEPENDENCE AND NON-AUDIT SERVICES**

The Auditors have not been involved in any other services for the Company during the year ended 30 June 2014.

| The following amounts were paid to the auditors | Consolidated | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Auditor's remuneration | | |
| • auditing the accounts | 21,603 | 30,607 |
| • Auditors of the subsidiary company | - | - |
| Non-audit services | | |
| • Other services | - | - |
| | <u>21,603</u> | <u>30,607</u> |

The independence letter from the Auditors is set out on the following page.

Signed in accordance with a resolution of the directors.

Dated at Perth this 30th day of September 2014.



MICHAEL G FOTIOS
Director

30 September 2014

Board of Directors
General Mining Corporation Limited
89 Burswood Road
Burswood WA 6100

Dear Sirs

RE: GENERAL MINING CORPORATION LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of General Mining Corporation Limited.

As Audit Director for the audit of the financial statements of General Mining Corporation Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

| | | Consolidated | |
|--|------|------------------|--------------------|
| | | 2014 | 2013 |
| | Note | \$ | \$ |
| Revenue from continuing operations | | | |
| Revenue from continuing operations | 2 | 22,530 | 41,563 |
| Expenses | | | |
| Secretarial and administration fees | | (113,937) | (115,018) |
| Legal fees | | (3,465) | (15,448) |
| Directors' salary & entitlements | | (180,008) | (180,008) |
| Share based remuneration | | - | (60,501) |
| Travel, accommodation and entertainment | | (2,067) | (8,532) |
| Consulting | | (51,036) | (2,000) |
| Audit fees | | (21,603) | (30,607) |
| Rent expense | | (54,371) | (22,771) |
| Insurance | | (19,674) | (22,124) |
| Depreciation | 7 | (14,819) | (16,421) |
| Loss on disposal of assets | | (12,878) | - |
| Staff costs | | (70,296) | (156,058) |
| Provision for employee entitlements | | (21) | (16,104) |
| Provision for exploration costs | 8 | (99,875) | (1,152,423) |
| Write down of exploration costs | 8 | (91,970) | (67,725) |
| Other expenses from ordinary activities | | (4,198) | (20,412) |
| (Loss) profit before income tax | | (717,688) | (1,844,589) |
| Income tax expense | 3 | - | - |
| (Loss) profit for the year | | (717,688) | (1,844,589) |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | 14a | 93,076 | 252,362 |
| Items that will not be reclassified to profit or loss | | - | - |
| Total comprehensive income/(loss) | | (624,612) | (1,592,227) |
| (Loss) / profit attributable to: | | | |
| Owners of the Company | | (717,688) | (1,844,589) |
| Non-controlling interest | | - | - |
| (Loss) / profit for the year | | (717,688) | (1,844,589) |
| Total comprehensive income / (loss) attributable to: | | | |
| Owners of the Company | | (624,612) | (1,592,227) |
| Non-controlling interest | | - | - |
| Total comprehensive income / (loss) for the year | | (624,612) | (1,592,227) |
| Basic earnings per share (cents per share) | 21 | (0.57) | (1.79) |

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

| | Note | Consolidated 2014 \$ | 2013 \$ |
|--|------|----------------------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 77,705 | 96,831 |
| Trade and other receivables | 5 | 78,599 | 26,158 |
| Other financial assets | 6 | 63,000 | 63,000 |
| Total Current Assets | | 219,304 | 185,989 |
| Non-Current Assets | | | |
| Property, plant & equipment | 7 | 11,365 | 40,340 |
| Mineral exploration & evaluation expenditure | 8 | 833,514 | 410,210 |
| Total Non-Current Assets | | 844,879 | 450,550 |
| Total Assets | | 1,064,183 | 636,539 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 10 | 633,545 | 277,532 |
| Provisions – annual leave | 11a | 9,665 | 13,165 |
| Short-term borrowings – related parties | 12 | 244 | 244 |
| Total Current Liabilities | | 643,454 | 290,941 |
| Non-current Liabilities | | | |
| Provisions – long service leave | 11b | 14,625 | 11,104 |
| Total Current Liabilities | | 14,625 | 11,104 |
| Total Liabilities | | 658,079 | 302,045 |
| Net Assets | | 406,104 | 334,494 |
| Equity | | | |
| Contributed equity (Issued Capital) | 13 | 11,827,692 | 10,953,168 |
| Reserves | 14a | 679,448 | 764,674 |
| Accumulated profits (losses) | 14b | (12,101,036) | (11,383,348) |
| Total Equity | | 406,104 | 334,494 |

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated Entity

| | Note | Contributed equity \$ | Accumulated losses \$ | Option Reserve \$ | Foreign Exchange Translation Reserve \$ | Total equity \$ |
|---|------|-----------------------------|-----------------------------|-------------------------|---|-----------------------|
| Balance at 1 July 2012 | | 9,316,786 | (9,538,759) | 293,644 | 80,284 | 151,955 |
| Total loss for the year | 14b | - | (1,844,589) | - | - | (1,844,589) |
| Other comprehensive income / (loss) for the year | 14a | - | - | - | 252,362 | 252,362 |
| Total comprehensive income / (loss) for the year | | - | (1,844,589) | - | 252,362 | (1,592,227) |
| Contributions of equity, net of transaction costs | 13 | 1,611,137 | - | - | - | 1,611,137 |
| Options issued during the year | | - | - | 163,629 | - | 163,629 |
| Transfer from option reserve | 14a | 25,245 | - | (25,245) | - | - |
| Balance at 30 June 2013 | | 10,953,168 | (11,383,348) | 432,028 | 332,646 | 334,494 |
| Balance at 1 July 2013 | | 10,953,168 | (11,383,348) | 432,028 | 332,646 | 334,494 |
| Total loss for the year | 14b | - | (717,688) | - | - | (717,688) |
| Other comprehensive income / (loss) for the year | 14a | - | - | - | 93,076 | 93,076 |
| Total comprehensive income / (loss) for the year | | - | (717,688) | - | 93,076 | (624,612) |
| Contributions of equity, net of transaction costs | 13 | 696,222 | - | - | - | 696,222 |
| Options issued during the year | 14a | - | - | - | - | - |
| Transfer from option reserve | 14a | 178,302 | - | (178,302) | - | - |
| Balance at 30 June 2014 | | 11,827,692 | (12,101,036) | 253,726 | 425,722 | 406,104 |

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

| | | Consolidated | |
|---|------|------------------|--------------------|
| | Note | 2014 \$ | 2013 \$ |
| Cash Flows from Operating Activities | | | |
| Interest received | | 5,490 | 19,012 |
| Other income | | 17,040 | 22,551 |
| Payments to suppliers and contractors (inclusive of goods and services tax) | | (308,174) | (253,085) |
| Net cash (outflow) inflow from operating activities | 17 | (285,644) | (211,522) |
| Cash Flows from Investing Activities | | | |
| Property, plant & equipment | | 1,205 | - |
| Exploration expenditure | | (144,271) | (1,187,194) |
| Security deposits | | - | (52,380) |
| Net cash (outflow) inflow from investing activities | | (143,066) | (1,239,574) |
| Cash Flows from Financing Activities | | | |
| Net proceeds from issue of shares | | 409,584 | 1,311,137 |
| Repayment of loans | | - | - |
| Net cash (outflow) inflow from financing activities | | 409,584 | 1,311,137 |
| Net increase (decrease) in cash and cash equivalents | | (19,126) | (139,959) |
| Cash and cash equivalents at the beginning of the financial year | | 96,831 | 236,790 |
| Effects of exchange rate changes on cash and cash equivalents | | - | - |
| Cash and cash equivalents at the end of the financial year | 4 | 77,705 | 96,831 |
| Non -Cash investing and financing activities | | | |
| Placement fees paid by issue of shares/options | | - | - |
| Brokerage fees paid by issue of shares/options | | - | - |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of General Mining Corporation Limited ("the Company") for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2014.

Statement of Compliance

These financial statements are general purpose financial statements, which have been prepared in accordance with Australian Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRSs) form the basis of AASBs adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS (AIFRS) to distinguish from previous Australian GAAP. The financial statements comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

Separate financial statements for General Mining Corporation Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for General Mining Corporation Limited as an individual entity is included in Note 20.

Basis of preparation

These financial statements have been prepared on the basis of historical costs and except where stated do not take into account changing money values or current valuation of non-current assets. The accounting policies adopted are consistent with those of the previous year. The following specific accounting policies have been consistently applied, unless otherwise stated.

a) Going Concern

The consolidated financial statements have been prepared on a going concern basis. However, the ability of the company and the consolidated entity to actively explore and continue as a going concern, and to meet their debts and commitments as they fall due, is dependent upon further capital raisings.

The Directors are confident that the Company will be successful in raising further capital and, accordingly, have prepared the financial statements on a going concern basis. At this time, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial statements at 30 June 2014. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

b) Taxes***Income tax***

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between tax bases of assets and liabilities and their carrying amounts in the financial statements and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those rates which are enacted or subsequently enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Taxes (Continued)

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

c) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 9.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

d) Investments and other financial assets

The Consolidated Entity classifies its investments in the following categories: financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Statement of Financial Position date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments and other financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Consolidated Entity's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities are classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the Statement of Comprehensive Income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the Statement of Comprehensive Income as part of income from continuing operations when the Company's right to receive payment is established.

Fair value

The fair values of quoted investments are based on last trade prices. If the market for financial assets is not active (and for unlisted securities), the Consolidated Entity establishes fair value by using valuation techniques.

e) **Plant and Equipment**

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each asset during their expected useful life as follows:

Plant and equipment - 5 years

Computer software - 3 years.

f) **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Non-current assets are not revalued to an amount above their recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) **Foreign currencies***Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is General Mining Corporation Limited's functional and presentation currency. The functional currencies of the Company's parent and its subsidiaries are as follows:

Parent Company: Australian Dollars (AUD)

Subsidiary: Mongolian Tugrik (MNT)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

h) **Earnings per share**

Basic earnings per share is determined by dividing the profit (loss) after income tax attributable to equity holders of the Consolidated Entity by the weighted average number of ordinary shares outstanding during the year.

i) **Trade and other Payables**

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

j) **Provisions**

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

k) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

l) **Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is recognised in the Statement of Comprehensive Income.

m) **Segment Reporting**

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Segment Reporting (continued)

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

n) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are mandatory for 30 June 2014 reporting periods and are set out below.

| Affected Standard | Nature of Change to Accounting Policy | Application * |
|--|---|---------------|
| AASB 10: Consolidated Financial Statements | <p>AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:</p> <ul style="list-style-type: none"> a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee; and c) has the ability to use its power to affect its returns. <p>All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.</p> <p>There have been no changes to the treatment of investees compared to prior year.</p> | 1 Jan 2013 |
| AASB 11: Joint Arrangements | <p>The standard requires a party to a joint arrangement to determine the type of joint arrangement based on its rights and obligations and account for the arrangement accordingly. The amendments are not expected to have a significant impact on any of the amounts recognised in the financial statements.</p> | 1 Jan 2013 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) New accounting standards and interpretations (continued)

| | | |
|--|--|------------|
| AASB 12: Disclosure of interests in other entities | <i>AASB 12: Disclosure of interests in other entities</i> requires the extensive disclosure of information that enables users of the financial statements to evaluate the nature of interests in other entities. The amendments are not expected to have a significant impact on any of the amounts recognised in the financial statements. | 1 Jan 2013 |
| AASB 13: Fair value measurement | <i>AASB 13: Fair value measurement</i> replaces the guidance on fair value measurement in existing AASB accounting literature with a single standard. The amendments are not expected to have a significant impact on any of the amounts recognised in the financial statements. | 1 Jan 2013 |
| AASB 119 Employee Benefits | <p>AASB 119 changes the accounting for defined benefit plans and termination benefits. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' and accelerate the recognition of past service costs.</p> <p>All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.</p> | 1 Jan 2013 |

* Applicable to reporting periods commencing on or after the given date

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) **New accounting standards for application in future periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments (effective from 1 Jan 2017)

AASB 9: Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's accounting for financial assets as it does not have any available for sale assets other than equity investments. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The Group has decided not to early adopt AASB 9

Other new accounting standards for application in future periods:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| AASB 1031 'Materiality' (2013) | 1 January 2014 | 30 June 2015 |
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets' | 1 January 2014 | 30 June 2015 |
| AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting' | 1 January 2014 | 30 June 2015 |
| AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities' | 1 January 2014 | 30 June 2015 |
| AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments' | 1 January 2014 | 30 June 2015 |

These Australian Accounting Standards are not expected to have any significant impact on the financial statements.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

p) **Critical accounting estimates & judgements**

In preparing these financial statements, the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) **Significant accounting judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Critical accounting estimates & judgements (continued)

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 30 June 2014, the carrying value of exploration expenditure is \$833,514.

Impairment of available for sale investments

The available for sale investments have been subjected to impairment criteria in accordance with accounting standards and current market conditions, particularly those investments that are not listed on recognised stock exchanges. The majority of the impaired investments are expected to mature within the next twelve months and, where applicable, the impairment losses will be written back.

q) Exploration, Evaluation and Development Expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest and costs of acquisition is capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

r) Interests in Joint Ventures

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Separate joint venture entities providing joint venturers with an interest to net assets are classified as a "joint venture" and accounted for using the equity method.

Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Group's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the consolidated financial statements.

Gains and losses resulting from sales to a joint operation are recognised to the extent of the other parties' interests. When the Group makes purchases from a joint operation, it does not recognise its share of the gains and losses from the joint arrangement until it resells those goods/assets to a third party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

| | | Consolidated | |
|----|--|------------------|------------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| 2. | REVENUE FROM CONTINUING OPERATIONS | | |
| | Included in revenue from continuing operations are the following: | | |
| | Interest received | 5,490 | 19,012 |
| | Other revenue | 17,040 | 22,551 |
| | | <u>22,530</u> | <u>41,563</u> |
| 3. | TAXATION | | |
| | The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows: | | |
| | Operating profit (loss) for year before income tax | (717,688) | (1,844,589) |
| | Prima facie income tax expense / (benefit) calculated at 30% (2013: 30%) on the profit (loss) before tax | (215,306) | (553,377) |
| | Add/(less) tax effect of: | | |
| | Non-deductible expenses | - | 18,150 |
| | Provision for employee entitlements | 6 | 4,831 |
| | Other provisions | - | - |
| | Section 40-880 deduction | (14,046) | (10,708) |
| | Capitalised exploration expenditure | (126,991) | (123,063) |
| | Unused tax losses not recognised as deferred tax assets | 356,337 | 664,167 |
| | Income tax expense | <u>-</u> | <u>-</u> |
| | Unrecognised temporary differences | | |
| | Deferred Tax Asset (at 30 %) | | |
| | Revenue tax losses | 2,890,518 | 2,534,181 |
| | Provisions | 7,287 | 7,281 |
| | Capital raising costs | 46,104 | 27,092 |
| | | <u>2,943,909</u> | <u>2,568,554</u> |
| | Deferred tax liabilities (at 30 %) | | |
| | Capitalised exploration expenditure | <u>250,054</u> | <u>123,063</u> |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

| | | Consolidated | |
|---|---|--------------|-------------|
| | | 2014 | 2013 |
| | | \$ | \$ |
| 4. | CASH AND CASH EQUIVALENTS | | |
| | Cash at bank and on hand | 77,705 | 96,831 |
| 5. | TRADE AND OTHER RECEIVABLES | | |
| | Current | | |
| | Trade debtors and receivables | - | - |
| | Other receivables | 78,599 | 26,158 |
| | | 78,599 | 26,158 |
| As at 30 June 2014, current trade and other receivables do not contain impaired assets and are not passed due. It is expected that these amounts will be received during the coming year. | | | |
| 6. | OTHER FINANCIAL ASSETS | | |
| | Security Deposit | 63,000 | 63,000 |
| | | 63,000 | 63,000 |
| 7. | PROPERTY, PLANT & EQUIPMENT | | |
| | Land: | | |
| | At cost | - | - |
| | Plant & Equipment : | | |
| | At cost | 62,224 | 89,192 |
| | Less: accumulated depreciation | (50,859) | (48,852) |
| | Net book value | 11,365 | 40,340 |
| | Reconciliation / movement for year | | |
| | Plant & equipment | | |
| | Carrying amount at beginning of year | 40,340 | 56,010 |
| | Additions | - | - |
| | Disposals | (14,156) | (1,425) |
| | Foreign exchange movements | - | 2,176 |
| | Depreciation charge | (14,819) | (16,421) |
| | Carrying amount at end of year | 11,365 | 40,340 |
| | Total property, plant & equipment | 11,365 | 40,340 |
| 8. | MINERAL EXPLORATION & EVALUATION EXPENDITURE | | |
| | Exploration & evaluation expenditure – at cost | 833,514 | 410,210 |
| | Movements during the year | | |
| | Balance 1 July | 410,210 | - |
| | Expenditure during year comprising | | |
| | Acquisitions | - | - |
| | Exploration expenditure | 615,149 | 1,630,358 |
| | Less exploration expenses written off | (91,970) | (67,725) |
| | Less provided to profit or loss | (99,875) | (1,152,423) |
| | Balance 30 June | 833,514 | 410,210 |

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the discovery of commercially viable resources. In assessing each project for impairment, the Board of Directors have taken to consideration the data on hand, the planned programs and expenditures and the potential recoverability of expenditures by commercial development or divestment.

9. CONTROLLED ENTITIES

Country of Incorporation

Subsidiary entity:
Golden Cross Company Limited Mongolia

| Consolidated | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

Current

| | |
|----------------|----------------|
| 633,545 | 277,532 |
| <u>633,545</u> | <u>277,532</u> |

(a) Annual leave provision

Provisions movement during the year

| | |
|--------------|---------------|
| 13,165 | 8,165 |
| (3,500) | 5,000 |
| <u>9,665</u> | <u>13,165</u> |

Provisions movement during the year

| | |
|---------------|---------------|
| 11,104 | - |
| 3,521 | 11,104 |
| <u>14,625</u> | <u>11,104</u> |

Debtor loans – unsecured

| | |
|-------|-------|
| 244 | 244 |
| <hr/> | <hr/> |
| 244 | 244 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated | | Consolidated | |
|--|---------------|------------|---------------|------------|
| | 2014 | 2014 | 2013 | 2013 |
| | No. of shares | \$ | No. of shares | \$ |
| 13. CONTRIBUTED EQUITY | | | | |
| Issued and paid up share capital | | | | |
| Ordinary shares – fully paid | 134,310,160 | 11,827,692 | 107,441,529 | 10,953,168 |
| Movements in ordinary share capital | | | | |
| Opening Balance at 1 July | 107,441,529 | 10,953,168 | 73,034,628 | 9,316,786 |
| Transfer from option reserve | - | 178,302 | - | 25,245 |
| Exercise of options | 6,835 | 563 | - | - |
| Vendor shares | - | - | 7,000,000 | 350,000 |
| Placements | - | - | 10,000,000 | 500,000 |
| Rights Issue | 26,861,796 | 805,854 | 17,406,901 | 870,345 |
| | 134,310,160 | 11,937,887 | 107,441,529 | 11,062,376 |
| Less: share issue costs | - | (110,195) | - | (109,208) |
| Closing Balance at 30 June | 134,310,160 | 11,827,692 | 107,441,529 | 10,953,168 |

Terms and conditions of contributed equity

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

In the event of winding up of the parent entity, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Issued Shares

During the financial year, the parent entity issued 26,868,631 shares (2013: 34,406,901).

| | Consolidated | | Consolidated | |
|-------------------------------------|--------------|-----------|----------------|----------|
| | 2014 | 2014 | 2013 | 2013 |
| | No. of | \$ | No. of options | \$ |
| | options | | | |
| OPTIONS | 35,703,211 | 253,726 | 48,173,567 | 432,028 |
| Options – Unlisted | | | | |
| At 1 July | 48,173,567 | 432,028 | 20,150,000 | 293,644 |
| Placements | - | - | 10,000,000 | - |
| Employee options issued during year | - | - | 3,000,000 | 60,501 |
| Rights issue | - | - | 17,406,901 | - |
| Other options issued during year | - | - | 10,000,000 | 103,128 |
| Exercised during year | (6,835) | - | - | - |
| Expired during year | (12,463,521) | (178,302) | (12,383,334) | (25,245) |
| At 30 June | 35,703,211 | 253,726 | 48,173,567 | 432,028 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

13. CONTRIBUTED EQUITY (continued)

Share Options

During the financial period, no options were issued by the parent entity towards issue costs (2013: Nil options).

At the end of the year, there were 35,703,211 options over unissued shares currently on issue with the following terms:

- (i) each option entitles the holder to subscribe for and be allotted one fully paid ordinary share in the Company;
- (ii) the options are exercisable at 20 cents unless otherwise stated;
- (iii) the options will expire as follows:
 - 550,000 options expire on the 21/12/2014
 - 550,000 options expire on the 31/08/2014
 - 3,333,333 options exercisable at 12.5 cents each expire on 28/06/2015
 - 5,801,629 options exercisable at 10 cents each expire on 03/09/2014
 - 5,801,582 options exercisable at 12.5 cents each expire on 03/09/2015
 - 3,333,334 options exercisable at 10 cents each expire on 13/07/2014
 - 3,333,333 options exercisable at 12.5 cents each expire on 13/07/2015
 - 3,000,000 options exercisable at 8.9 cents each expire on 31/03/2015
 - 10,000,000 options exercisable at 12.5 cents each expire on 31/03/2015

Each option entitles the holder to be issued with one ordinary share in the capital of the parent entity subject to payment of the relevant issue price and satisfaction of applicable conditions (if any).

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

SHARE BASED PAYMENTS

An employee share option plan was adopted on 26 October 2010. No options were issued under this plan during the year (2013:nil).

No options were issued for payment of brokerage fees during the year.

Director option expense:

No options were issued to directors under the employee share option plan.

| Consolidated | |
|--------------|------|
| 2014 | 2013 |
| \$ | \$ |

14. RESERVES AND ACCUMULATED LOSSES

(a) RESERVES

Foreign currency translation / reserves

Option reserve

| | |
|----------------|----------------|
| 425,722 | 332,646 |
| 253,726 | 432,028 |
| 679,448 | 764,674 |

Movement in reserves for year

Foreign currency translation / reserves / options

At 1 July

Currency translation differences gain (loss) arising during the year

Options reserve – options expired

Options reserve – options issued

At 30 June

| | |
|----------------|----------------|
| 764,674 | 373,928 |
| 93,076 | 252,362 |
| (178,302) | (25,245) |
| - | 163,629 |
| 679,448 | 764,674 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

| | Consolidated | |
|---|--------------|--------------|
| | 2014 | 2013 |
| | \$ | \$ |
| 14. RESERVES AND ACCUMULATED LOSSES (Continued) | | |
| (b) ACCUMULATED PROFITS (LOSSES) | | |
| Movement for year | | |
| At 1 July | (11,383,348) | (9,538,759) |
| Net Profit (Loss) for the year after tax | (717,688) | (1,844,589) |
| At 30 June | (12,101,036) | (11,383,348) |

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

Option Reserve

The option reserve relates to the recording of options which have been issued by the Group. Further information on options is included in Note 13.

15. KEY MANAGEMENT PERSONNEL DISCLOSURE

(a) Directors

The directors of the economic entity during the year were:

Mr M Wright
Mr C Readhead
Mr R Wanless
Mr M Fotios

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

K Brown – Joint Company Secretary
L Colless – Joint Company Secretary

(c) Transactions with key management personnel

Fees were paid for administration, company secretarial and financial services provided by Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown are directors and shareholders.

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Fees and disbursements accrued

| | |
|---------------------------|---------------|
| (a) L Colless and K Brown | \$91,642* |
| (b) C Readhead | \$43,342** |
| (c) M Fotios | \$26,667*** |
| (d) M Wright | \$60,000**** |
| (e) R Wanless | \$40,000***** |

The above balances are net of GST

* Amount due (\$91,642 in total, including disbursements) to Mineral Administration Services Pty Ltd (MAS), a company in which Mr Colless and Ms Brown are both directors and shareholders.

** Director's fees of \$43,342 owed (payable to Magisterium Pty Ltd, a company in which Mr Readhead is a director and shareholder).

*** Director's fees of \$26,667 owed, and professional fees, rent and disbursements of \$92,412 owing to Delta Resource Management Pty Ltd (Delta) and \$56,998 to Whitestone Minerals Pty Ltd, companies in which Mr Fotios is a director and shareholder. Underwriting fees of \$50,000 and \$48,351 are owed to Investmet Limited and Delta, companies in which Mr Fotios is a director and shareholder.

**** Director's fees of \$60,000 owed

***** Director's fees of \$40,000 owed

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

15. KEY MANAGEMENT PERSONNEL DISCLOSURE – (continued)

e) Equity instrument disclosures relating to key management personnel

The interests of Directors and their Director related entities in shares and share options at the end of the financial period are disclosed as part of the Remuneration Report

f) Key management personnel compensation

The Company has taken advantage of the relief provided by Corporation Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A – C of the remuneration report within the Directors' Report.

g) Related party transactions

Other than these transactions and the transactions disclosed below, there are no other transactions between related parties that require disclosure.

16. RELATED PARTY TRANSACTIONS

Transactions with directors and director related entities

| Type of transaction | Related party | Terms and conditions | Consolidated | |
|---|--------------------|----------------------|--------------|------------|
| | | | 2014 \$ | 2013 \$ |
| | - directors | | | |
| Director's remuneration | M Wright | Normal commercial | 60,000 | 60,000 |
| Director's remuneration | C Readhead | Normal commercial | 40,008 | 40,008 |
| Director's remuneration | R Wanless | Normal commercial | 40,000 | 40,000 |
| Consulting | R Wanless | Normal commercial | - | 8,170 |
| Director's remuneration | M Fotios | Normal commercial | 40,000 | 100,501 |
| Legal Fees and disbursements | C Readhead | Normal commercial | 55,888 | 105,690 |
| Geological Consulting, Rent and disbursements | | | | |
| Amounts invoiced | M Fotios | Normal commercial | 212,412 | 30,031 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

17. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | Consolidated | |
|---|--------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Operating profit (loss) for the year | (717,688) | (1,844,589) |
| Add (less) non-cash items: | | |
| Provision for exploration costs | 99,875 | 1,152,423 |
| Write down of exploration costs | 91,970 | 67,725 |
| Share based payments | - | 60,501 |
| Depreciation / Amortisation | 14,819 | 16,421 |
| Loss on disposal of asset | 12,878 | 484 |
| Foreign exchange gains (losses) | 93,148 | 251,128 |
| <i>Changes in current assets and liabilities</i> | | |
| Receivables / Other | (77,808) | 13,808 |
| Creditors | 197,141 | 54,473 |
| Provisions | 21 | 16,104 |
| Net cash inflow (outflow) from operating activities | (285,644) | (211,522) |
| <i>Non-cash investing and financing activities</i> | | |
| Acquisition of exploration assets by issue of shares | 384,989 | 350,000 |
| Acquisition of exploration assets by issue of share options | - | 103,128 |

18. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 September 2014, 3,833 options were exercised at 10 cents each and the remaining 5,797,796 options in that class expired unexercised.

On 31 August 2014, 550,000 options exercisable at 20 cents each expired unexercised.

On 13 July 2014, 3,333,334 options exercisable at 10 cents each expired unexercised.

No other matters or circumstances, not otherwise dealt with in the financial statements, have arisen since the end of the financial year and to the date of this report which significantly affected or may significantly affect the operations of the economic entity, the results of the economic entity, or the state of affairs of the economic entity in the financial years subsequent to the financial year ended 30 June 2014.

19. SEGMENT INFORMATION

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's primary segment is one business, being the exploration and evaluation of mineral resources.

During the year ended 30 June 2014, the consolidated entity operated in the following Geographical Segments: Australia (2013: Australia and Mongolia)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

19. SEGMENT INFORMATION (Continued)

30 June 2014

| | Australia \$ | Consolidated \$ |
|---|-----------------|--------------------|
| REVENUE | | |
| Segment revenue from operating activities | 22,525 | 22,530 |
| RESULT | | |
| Profit/(loss) after income tax | (598,433) | (717,688) |
| ASSETS | | |
| Segment assets | 1,064,152 | 1,064,183 |
| LIABILITIES | | |
| Segment liabilities | 658,079 | 658,079 |
| OTHER | | |
| Segment assets acquired | - | - |
| Segment depreciation | 12,333 | 14,819 |

30 June 2013

| | Australia \$ | Mongolia \$ | Consolidated \$ |
|---|-----------------|----------------|--------------------|
| REVENUE | | | |
| Segment revenue from operating activities | 41,430 | 133 | 41,563 |
| RESULT | | | |
| Profit/(loss) after income tax | (1,262,440) | (582,149) | (1,844,589) |
| ASSETS | | | |
| Segment assets | 608,882 | 27,657 | 636,539 |
| LIABILITIES | | | |
| Segment liabilities | 300,598 | 1,447 | 302,045 |
| OTHER | | | |
| Segment assets acquired | - | - | - |
| Segment depreciation and amortisation | 12,751 | 3,670 | 16,421 |

20. PARENT ENTITY DISCLOSURES

FINANCIAL POSITION

| | Parent Entity | |
|--------------------------------|---------------|--------------|
| | 2014 \$ | 2013 \$ |
| Assets | | |
| Current assets | 219,274 | 174,974 |
| Non-current assets | 844,878 | 433,908 |
| Total assets | 1,064,152 | 608,882 |
| Liabilities | | |
| Current liabilities | 658,079 | 300,598 |
| Non-current liabilities | - | - |
| Total liabilities | 658,079 | 300,598 |
| Equity and Reserves | | |
| Issued capital | 11,827,692 | 10,953,168 |
| Accumulated profits / (losses) | (11,675,345) | (11,076,912) |
| Option reserve | 253,726 | 432,028 |
| Total equity | 406,073 | 308,284 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

20. PARENT ENTITY DISCLOSURES (Continued)

FINANCIAL PERFORMANCE

| | Parent Entity | |
|-----------------------------------|---------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Profit / (loss) for the year | (598,433) | (1,576,002) |
| Other comprehensive income | - | - |
| Total comprehensive income/(loss) | (598,433) | (1,576,002) |

GUARANTEES ENTERED INTO BY THE PARENT ENTITY

- -

CONTINGENT LIABILITIES OF THE PARENT ENTITY (refer to note 23)

- -

COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY

- -

21. EARNINGS PER SHARE

| | Consolidated | |
|---|--------------|-------------|
| | 2014 | 2013 |
| | \$ | \$ |
| (a) Basic earnings per share | | |
| Profit (loss) attributable to the ordinary equity holders of the Company | (0.0057) | (0.0179) |
| (b) Earnings used in calculating earnings per share | | |
| Profit/(Loss) attributable to the ordinary equity holders of the Company | (717,688) | (1,844,589) |
| (c) Weighted average number of shares used as the denominator | | |
| Weighted average number of ordinary shares on issue used in calculation of basic earnings per share | 124,830,522 | 103,158,448 |

(d) Diluted earnings per share

Diluted earnings per share is not materially different from basic earnings per share and has therefore not been disclosed.

22. AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditors:

| | Consolidated | |
|---|---------------|---------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Audit Services | | |
| - Audit and review of financial statements and other audit work under the Corporations Act 2001 | 21,603 | 30,607 |
| Total fees for audit services | 21,603 | 30,607 |
| Non – Audit Services | | |
| - Others | - | - |
| Total fees for non-audit services | - | - |
| Total remuneration of auditors | 21,603 | 30,607 |

The Group has received notification from the Group's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

23. CONTINGENT LIABILITIES AND ASSETS

There are no contingent liabilities or assets at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. FINANCIAL RISK MANAGEMENT

Overview:

The group has exposure to the following risks from their use of financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

(a) Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

(i) Investments:

The Group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the Group undertakes exploration and evaluation activities in Australia. At the Statement of Financial Position date there were no significant concentrations of credit risk.

Exposure to credit risk:

The carrying amount of the Group's financial assets represents the maximum credit exposure.

The Group's maximum exposure to credit risk at the reporting date was:

| | Consolidated Carrying amount | |
|-----------------------------|---------------------------------|----------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Cash and cash equivalents | 77,705 | 96,831 |
| Trade and other receivables | 78,599 | 26,158 |
| Other financial assets | 63,000 | 63,000 |
| Total exposure | 219,304 | 185,989 |

No impairment loss in respect of inter-group loans was recognised during the current year, however these loans have been provided for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Group manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows.

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

| Financial Instruments | Floating interest rate | | Non-interest bearing | | Total carrying amount as per the statement of financial position | | Weighted average effective interest rate | |
|-----------------------------------|------------------------|----------------|----------------------|----------------|--|----------------|--|-----------|
| | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ | 2014 % | 2013 % |
| Consolidated | | | | | | | | |
| <i>(i) Financial assets</i> | | | | | | | | |
| Cash | 75,346 | 91,773 | 2,359 | 5,058 | 77,705 | 96,831 | 2.35% | 1.96% |
| Trade and other receivables | - | - | 78,599 | 26,158 | 78,599 | 26,158 | - | - |
| Other financial assets | 63,000 | 63,000 | - | - | 63,000 | 63,000 | 3.4% | 4.2% |
| Total financial assets | <u>138,346</u> | <u>154,773</u> | <u>80,958</u> | <u>31,216</u> | <u>219,304</u> | <u>185,989</u> | | |
| <i>(ii) Financial liabilities</i> | | | | | | | | |
| Trade and other creditors | - | - | 633,545 | 277,532 | 633,545 | 277,532 | - | - |
| Other creditors | - | - | 244 | 244 | 244 | 244 | - | - |
| Total financial liabilities | <u>-</u> | <u>-</u> | <u>633,789</u> | <u>277,776</u> | <u>633,789</u> | <u>277,776</u> | | |

(c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk:

The Group is exposed to currency risk only on investments in subsidiaries in a currency other than the respective functional currencies of group entities, primarily the Australian dollar (AUD).

The Group has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

The Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. FINANCIAL RISK MANAGEMENT (continued)

Exposure to currency risk:

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

| | Consolidated Carrying amount | |
|---------------------|---------------------------------|--------------------|
| | 2014 | 2013 |
| | \$ | \$ |
| Revenue | 22,530 | 41,563 |
| Expenses | (740,218) | (1,886,152) |
| Net exposure | (717,688) | (1,844,589) |

The following significant exchange rates applied during the year:

| | Average rate | | Reporting date spot rate | |
|-----|--------------|--------|--------------------------|--------|
| | 2014 | 2013 | 2014 | 2013 |
| USD | 0.9179 | 0.9744 | 0.9419 | 0.9133 |

Sensitivity analysis:

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

| | Consolidated | |
|---------------------|--------------|----------------|
| | Equity | Profit or loss |
| 30 June 2014 | | |
| USD | -* | - |
| 30 June 2013 | | |
| USD | 2,621 | 2,621 |

*The Group no longer holds significant assets or liabilities outside of Australia and therefore is not subject to foreign currency risk.

(ii) Interest rate risk:

At balance date the Group had minimal exposure to interest rate risk, through its cash and other financial assets held within a financial institution.

| | Consolidated Carrying Amount | |
|----------------------------------|---------------------------------|--------------|
| | 30 June 2014 | 30 June 2013 |
| | \$ | \$ |
| Fixed rate instruments | | |
| Financial assets | - | - |
| Variable rate instruments | | |
| Financial assets | 138,346 | 154,773 |

Fair value sensitivity analysis for fixed rate instruments:

There was no exposure to fixed rate instruments at balance date or at the previous reporting period.

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2013.

| Consolidated | Profit or loss | | Equity | |
|---------------------------------|--------------------|--------------------|--------------------|--------------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 30 June 2014 | | | | |
| Cash and other financial assets | 1,383 | (1,383) | 1,383 | (1,383) |
| 30 June 2013 | | | | |
| Cash and other financial assets | 1,548 | (1,548) | 1,548 | (1,548) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

24. FINANCIAL RISK MANAGEMENT (continued)

Net Fair value

For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying assets of the investment. For other assets and other liabilities the net fair value approximates their carrying value as disclosed in the Statement of Financial Position. There was no exposure to interest risk rate in regards to investments at balance date or at the previous reporting period.

25. SHARE BASED PAYMENTS

Set out below is a summary of the number of options outstanding at the end of the financial year:

CONSOLIDATED AND PARENT ENTITY 2014

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year (number) | Granted during the financial period (number) | Exercised during the financial period | Expired during the financial period | Balance at the end of the financial period (number) | Vested and exercisable at end of financial period (number) |
|---------------------------------|--------------|----------------|---------------------------------------|--|---------------------------------------|-------------------------------------|---|--|
| Director options | | | | | | | | |
| 29 Jun 2012 | 28 Jun 2014 | \$0.10 | 3,333,333 | - | - | (3,333,333) | - | - |
| 29 Jun 2012 | 28 Jun 2015 | \$0.125 | 3,333,333 | - | - | - | 3,333,333 | 3,333,333 |
| 13 Jul 2012 | 31 Mar 2015 | \$0.089 | 3,000,000 | - | - | - | 3,000,000 | 3,000,000 |
| Vendor options | | | | | | | | |
| 14 Sept 2012 | 31 Mar 2015 | \$0.125 | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 |
| Other options | | | | | | | | |
| 15 Dec 2009 | 31 Aug 2014 | \$0.20 | 100,000 | - | - | - | 100,000 | 100,000 |
| 15 Dec 2009 | 21 Dec 2014 | \$0.20 | 550,000 | - | - | - | 550,000 | 550,000 |
| 28 Jan 2011 | 31 Aug 2014 | \$0.20 | 250,000 | - | - | - | 250,000 | 250,000 |
| 28 Jan 2011 | 31 Aug 2014 | \$0.20 | 200,000 | - | - | - | 200,000 | 200,000 |
| 13 Jul 2012 | 13 July 2013 | \$0.075 | 3,333,333 | - | - | (3,333,333) | - | - |
| 13 Jul 2012 | 13 July 2014 | \$0.10 | 3,333,334 | - | - | - | 3,333,334 | 3,333,334 |
| 13 Jul 2012 | 13 July 2015 | \$0.125 | 3,333,333 | - | - | - | 3,333,333 | 3,333,333 |
| 03 Sep 2012 | 03 Sep 2013 | \$0.075 | 5,802,357 | - | (5,502) | (5,796,855) | - | - |
| 03 Sep 2012 | 03 Sep 2014 | \$0.10 | 5,802,296 | - | (667) | - | 5,801,629 | 5,801,629 |
| 03 Sep 2012 | 03 Sep 2015 | \$0.125 | 5,802,248 | - | (666) | - | 5,801,582 | 5,801,582 |
| Total options | | | 48,173,567 | - | (6,835) | (12,463,521) | 35,703,211 | 35,703,211 |
| Weighted average exercise price | \$0.12 | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26. SHARE BASED PAYMENTS (continued)

CONSOLIDATED AND PARENT ENTITY 2013

| Grant Date | Expiry Date | Exercise Price | Balance at start of the year (number) | Granted during the financial period (number) | Exercised during the financial period | Expired during the financial period | Balance at the end of the financial period (number) | Vested and exercisable at end of financial period (number) |
|---------------------------------|--------------|----------------|---------------------------------------|--|---------------------------------------|-------------------------------------|---|--|
| Director options | | | | | | | | |
| 1 Oct 2007 | 30 Sep 2012 | \$0.20 | 4,000,000 | - | - | (4,000,000) | - | - |
| 11 Mar 2008 | 28 Feb 2013 | \$0.20 | 2,000,000 | - | - | (2,000,000) | - | - |
| 29 Jun 2012 | 28 Jun 2013 | \$0.075 | 3,333,334 | - | - | (3,333,334) | - | - |
| 29 Jun 2012 | 28 Jun 2014 | \$0.10 | 3,333,333 | - | - | - | 3,333,333 | 3,333,333 |
| 29 Jun 2012 | 28 Jun 2015 | \$0.125 | 3,333,333 | - | - | - | 3,333,333 | 3,333,333 |
| 13 Jul 2012 | 31 Mar 2015 | \$0.089 | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 |
| Vendor options | | | | | | | | |
| 14 Dec 2009 | 14 Dec 2012 | \$0.20 | 2,500,000 | -- | - | (2,500,000) | - | - |
| 14 Sept 2012 | 31 Mar 2015 | \$0.125 | - | 10,000,000 | - | - | 10,000,000 | 10,000,000 |
| Other options | | | | | | | | |
| 19 Oct 2009 | 26 Jun 2013 | \$0.20 | 550,000 | - | - | (550,000) | - | - |
| 15 Dec 2009 | 31 Aug 2014 | \$0.20 | 100,000 | - | - | - | 100,000 | 100,000 |
| 15 Dec 2009 | 21 Dec 2014 | \$0.20 | 550,000 | - | - | - | 550,000 | 550,000 |
| 28 Jan 2011 | 31 Aug 2014 | \$0.20 | 250,000 | - | - | - | 250,000 | 250,000 |
| 28 Jan 2011 | 31 Aug 2014 | \$0.20 | 200,000 | - | - | - | 200,000 | 200,000 |
| 13 Jul 2012 | 13 July 2013 | \$0.075 | - | 3,333,333 | - | - | 3,333,333 | 3,333,333 |
| 13 Jul 2012 | 13 July 2014 | \$0.10 | - | 3,333,334 | - | - | 3,333,334 | 3,333,334 |
| 13 Jul 2012 | 13 July 2015 | \$0.125 | - | 3,333,333 | - | - | 3,333,333 | 3,333,333 |
| 03 Sep 2012 | 03 Sep 2013 | \$0.075 | - | 5,802,357 | - | - | 5,802,357 | 5,802,357 |
| 03 Sep 2012 | 03 Sep 2014 | \$0.10 | - | 5,802,296 | - | - | 5,802,296 | 5,802,296 |
| 03 Sep 2012 | 03 Sep 2015 | \$0.125 | - | 5,802,248 | - | - | 5,802,248 | 5,802,248 |
| Total options | | | 20,150,000 | 40,406,901 | - | (12,383,334) | 48,173,567 | 48,173,567 |
| Weighted average exercise price | | \$0.11 | | | | | | |

An Employee Share Option Plan was adopted on 26 October 2009.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

26. SHARE BASED PAYMENTS (continued)

Expenses arising from share - based payment transactions

Total expenses arising from share-based payments recognised during the financial period as employee benefits expense was:

| | Consolidated | |
|---|--------------|---------|
| | 2014 | 2013 |
| | \$ | \$ |
| Share Options | | |
| Tenement acquisition (share options issued) | - | 103,128 |
| Options issued to employees | - | 60,501 |
| Shares issued | | |
| Tenement acquisition (vendor share issued) | - | 350,000 |
| | - | 513,629 |

Option pricing model

The fair value of options granted is estimated as at the date of grant using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs used for the years ended 30 June 2014 and 30 June 2013:

| | Consolidated | |
|---------------------------------|--------------|--------|
| | 2014 | 2013 |
| Employee options | | |
| Expected volatility (%) | - | 74.00% |
| Risk-free interest rate (%) | - | 2.32% |
| Expected life of option (years) | - | 3 |
| Option exercise price (\$) | - | 0.089 |
| Share price (\$) | - | 0.06 |
| Other options | | |
| Expected volatility (%) | - | 71.00% |
| Risk-free interest rate (%) | - | 2.71% |
| Expected life of option (years) | - | 3 |
| Option exercise price (\$) | - | 0.125 |
| Share price (\$) | - | 0.05 |

27. COMMITMENTS

There are no commitments at 30 June 2014 (2013: nil). Prior year financials included mining tenement rentals and minimum expenditure requirements of \$114,779 for 30 June 2014, but these are no longer included as the Group is not obligated to make these payments and therefore considers that it has not made a commitment.

28. COMPANY DETAILS

The registered office and principal place of business of the parent entity is:
Ground Floor 89 Burswood Road
Burswood WA 6100
Australia

DIRECTORS' DECLARATION

In the opinion of the Directors of General Mining Corporation Limited:

- (a) The financial statements and notes set out on the preceding pages are in accordance with the Corporations Act 2001 including:
 - i. giving a true and fair view of the financial position of the Consolidated entity as at 30 June 2014 and of their performance for the financial year ended on that date; and
 - ii complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) The financial report also complies with International Financial Reporting Standards, as disclosed in note 1.
- (d) The audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the Directors.

Signed at Perth this 30th day of September 2014



MICHAEL G FOTIOS
Director

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GENERAL MINING CORPORATION LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of General Mining Corporation Limited ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of General Mining Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Material Uncertainty Regarding Going Concern and Capitalised Exploration Costs

Without qualification to the audit opinion expressed above, attention is drawn to the following matters.

As referred to in note 1(a) to the financial report, the financial report has been prepared on a going concern basis. At 30 June 2014 the Group had net assets of \$406,104, cash and cash equivalents of \$77,705 and net working capital deficiency of \$424,150. The Group had incurred a loss for the year ended 30 June 2014 of \$717,688. The ability of the Group to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the Group raising further working capital, and/or commencing profitable operations.

As described in Note 8, the recoupment of costs carried forward in relation to the area of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or the sale of the respective areas.

In the event that the Group cannot raise further equity or is not successful in commercially developing the area of interest or sale the assets at current book values or in excess thereof, the Group may not be able to meet its liabilities as and when they fall due and the realisable value of the Group's non-current assets may be significantly less than current book values.


Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 11 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of General Mining Corporation Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International


Samir Tirodkar
Director

West Perth, Western Australia
30 September 2014

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Directors of General Mining Corporation Limited (GMM or the Company) believe that effective corporate governance improves Company performance, enhances corporate social responsibility and benefits all stakeholders. Governance practices are not a static set of principles and the Company assesses its governance practices on an ongoing basis. Changes and improvements are made in a substance over form manner, which appropriately reflect the changing circumstances of the Company as it grows and evolves. Accordingly, the Board has established a number of practices and policies to ensure that these intentions are met and that all shareholders are fully informed about the affairs of the Company.

The following information about the Company's corporate governance practices is set out on the Company's website at www.generalmining.com:

- Board Charter;
- Nomination Committee Charter;
- Audit Committee Charter;
- Remuneration Committee Charter;
- Procedure for Selection and Appointment of Directors;
- Procedure for Performance Evaluation;
- Procedure for Selection and Appointment of External Auditor;
- Disclosure Policy;
- Shareholder Communication Guidelines and Policy
- Securities Trading Policy;
- Risk Management Guidelines and Policy;
- Corporate Code of Conduct.

COMPLIANCE WITH PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Board has in place a set of corporate governance policies and procedures formulated in consideration of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (2nd edition) (**ASX Principles and Recommendations**). In accordance with ASX Listing Rule 4.10.3 the Company provides the following information setting out the extent to which these recommendations have been followed during the financial year ending 30 June 2014 (**Reporting Period**) and identifying and explaining where a recommendation has not been followed. The information in this statement is current at 22 October 2014.

Principle 1 – Lay solid foundations for management and oversight by the Board

Recommendation 1.1

Companies should establish the functions reserved for the Board and those delegated to senior executives, and disclose those functions.

The Board has adopted a charter setting out the purpose and role of the Board, its responsibilities and powers and the way in which the Board functions. This charter is available in the corporate governance section of the Company's website. Broadly the key responsibilities of the Board are:

- a) Guiding and monitoring business and the affairs of the Company;
- b) Selecting the right chief executive officer for the Company and ensuring that management has in place appropriate processes for risk assessment, management and internal control and monitoring of performance;
- c) Setting financial strategic objectives;
- d) Evaluating, approving and monitoring the strategic and financial plans of the Company;
- e) Evaluating, approving and monitoring the annual budgets and business plans;
- f) Evaluating, approving and monitoring major capital expenditure, capital management and all major corporate transactions including the issue of securities of the Company;
- g) Providing input into and final approval of management's development of corporate strategy and performance objectives;
- h) Reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
- i) Monitoring senior executives' performance and implementation strategy;
- j) Approving and monitoring financial and other reporting.

CORPORATE GOVERNANCE STATEMENT

Formal letters of engagement setting out key terms and conditions of appointment are in place for non executive directors, and the Managing Director was employed pursuant to a service agreement which included a formal job description.

The Board Charter also sets out the division of authority between the Chairman and the Chief Executive Officer; the role of the Chief Financial Officer; and the role of any Board committees that may be established.

Recommendation 1.2

Companies should disclose the process for evaluating the performance of senior executives.

Performance evaluation in respect of the Company Secretarial functions is carried out by the Chairman as part of his review of the Board.

The responsibility of managing and implementing performance evaluation of other senior executives and management rests with the Managing Director. The Board as a whole takes on this responsibility while that position remains vacant.

The current size and structure of the Company allows for the regular conduct of an informal evaluation. Open and regular communication with senior personnel allows the Managing Director (or the other Directors in the absence of a Managing Director) to ensure that key performance indicators are identified and met, and provide feedback and guidance particularly where performance or mismanagement issues are evident. Approximately annually, individual performance may be more formally assessed in conjunction with a remuneration review.

Recommendation 1.3

Companies should provide the information indicated in the Guide to reporting on Principle 1.

During the Reporting Period performance evaluation of the Company Secretarial functions and senior personnel continued informally on an ongoing basis in accordance with the Company's policy.

Principle 2 – Structure the Board to add value

Recommendation 2.1

A majority of the Board should be independent directors.

At the end of the Reporting Period the Board comprised four directors of which three were considered or deemed to be independent.

During the Reporting Period the directors were:

- Mr Michael Wright, non-executive Chairman, appointed to the Board on 26 February 2008.
Mr Wright is considered independent in accordance with each of the independence criteria set out in Box 2.1 of the Corporate Governance Principals and Recommendations.
- Mr Craig Readhead, non-executive Director, appointed to the Board on 28 August 2007.
Mr Readhead is deemed by the Board to be independent. He is independent of management of the Company, his position with the Company's solicitors is not considered to have any material effect on his ability to act independently. In the opinion of the Board (in the absence of Mr Readhead), Mr Readhead is able to exercise independence of mind in all matters except in areas where a declared interest, such as his relationship to Galaxy Resources Ltd could, or could be perceived to, lead to conflicts of interests. It is noted that Mr Readhead does not participate in discussions of matters in which he could be considered to have an interest.
- Mr Robert Wanless, non-executive Director, appointed to the Board on 31 May 2007.
Mr Wanless is deemed by the Board to be independent. Mr Wanless's interests in the Company and those of Galaxy Resources Ltd (company of which he is a director) were diluted below those of a "substantial shareholder" (as defined in the Corporations Act) during the year. Mr Wanless continues to provide limited consultancy services to the Company but this role is not considered to have any material effect on his ability to act independently. It is noted that Mr Wanless does not participate in discussions of matters in which he could be considered to have an interest.
- Mr Michael Fotios, non-executive Director, elected to the Board on 15 June 2012.
Mr Fotios is not deemed to be independent within the criteria of the material independence thresholds. He is a "substantial shareholder" (as defined in the Corporations Act) of the Company. It is noted that Mr Fotios does not participate in discussions of matters in which he could be considered to have an interest.

Guidelines for materiality are both qualitative and quantitative including whether matters are outside of the ordinary course of business, could affect the Company's rights to its assets, involve a breach of legislation, impact on the reputation of the Company or, if accumulated, would trigger quantitative tests.

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.2

The Chair should be an independent director.

The Chairman, Mr Wright, is a non executive director and, as noted above, is considered independent.

Recommendation 2.3

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

The position of Chair is held by Mr Wright. The position of Chief Executive Officer remains vacant at the date of this report.

Recommendation 2.4

The Board should establish a nomination committee.

A separate Nomination Committee was established on 26 May 2010 comprising the directors deemed independent - Messrs Wright, Readhead and C Wanless. Subsequent to the resignation of Mr C Wanless from the Board the committee has been comprised of only two members and consequently does not comply fully with the recommendations. However, the Board considers the composition of the committee to be adequate for the requirements of the Company. The committee operates in accordance with the Nomination Committee charter. The Nomination Committee charter is available in the corporate governance section of the Company's website.

| Nomination Committee members | No. of meetings attended |
|--|--------------------------|
| Mr Wright (Chair) (independent non-executive) | 0 |
| Mr Readhead (deemed independent non-executive) | 0 |

Recommendation 2.5

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Performance evaluation of the Board and individual Directors is carried out by means of ongoing review by the Chairman with reference to the composition of the Board and its suitability to carry out the Company's objectives. The Chairman may carry out his review by meeting with and interviewing each Board member; consultation with the Nomination Committee; circulation of internal tools of review such as formal questionnaires and reports; and/or outsourcing to independent specialist consultants.

Given that Company is a small mining exploration company with a Board comprising only four members, the process is carried out in a relatively informal manner and the Chairman's findings reported to the Board periodically.

The Nomination Committee is responsible for the evaluation of the Managing Director. Given the current size and structure of the Company, in addition to the process for general evaluation as outlined above, further evaluation may be carried out on an ongoing basis through open and regular communication between Committee members and the Managing Director, to identify and meet key performance indicators, to provide feedback and to provide guidance and support where any issues may become evident. As noted above, the position of Managing Director remains vacant at the date of this report.

There is currently no executive management outside of the Board and Company Secretaries (regarded as "key management personnel" for reporting purposes). Evaluation of the performance of the Company Secretaries is carried out by the Chairman as part of his review of the Board.

Recommendation 2.6

Companies should provide the information indicated in the Guide to reporting on Principle 2.

The Board considers that the mix of skills and diversity for which the Board is looking to achieve in membership of its Board is represented in its current composition. The Board comprises directors with qualifications and skills in the following areas: geological; project generation; legal; listed resource company experience (including project development and funding) and business skills.

A profile of each Director setting out their skills, experience and expertise is set out in the Directors' Report.

In accordance with the Company's Constitution, the Board must comprise between three and five members. Further, one third of the directors (excluding the Managing Director) are required to retire at each annual general meeting. Directors who retire in accordance with this rule are eligible for re-election. No director so elected may hold office for more than three years. Re-appointment of directors is not automatic.

CORPORATE GOVERNANCE STATEMENT

Company Directors are entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board Charter.

In addition to the information provided in this corporate governance statement, the Company has also included a description of the procedure for the selection and appointment of directors in the corporate governance section of the Company's website.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1

Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has adopted a corporate code of conduct which expresses certain basic principles that the Company and employees, consultants and contractors should follow in all dealings related to the Company. They should show the highest business integrity in their dealings with others, including preserving the confidentiality of other people's information and should conduct the Company's business in accordance with law and principles of good business practice.

Recommendation 3.2

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

A formal policy for diversity has not been adopted by the Company to date. Given the small size of the Company's workforce, the early stage of its development and the skewed nature of diversity in the sector in which it operates the board does not consider a formal policy or set of measurable objectives to achieve diversity would be of value.

In considering the composition of the Company's board and workforce priority is given to qualifications, ability, competence and the overall contribution to the Company's operations and ultimate success. A non-discriminatory environment is aspired to and positive measures to provide opportunities for the personal and professional development of personnel are considered important.

Recommendation 3.3

Companies should disclose in each annual report the measurable objectives for achieving diversity set by the board in accordance with the Diversity Policy and progress towards achieving them.

As noted above, the Company has not adopted a formal policy for diversity or measurable objectives.

Recommendation 3.4

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at the end of the Reporting Period are set out in the following table:

| | Proportion of women |
|----------------------------|---------------------|
| Whole organisation* | 0 out of 1 (0%) |
| Senior executive positions | N/A |
| Board | 0 out of 4 (0%) |

*excluding the Board

In addition, one of the joint Company Secretaries (a consultant) is female.

Recommendation 3.5

Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Company's corporate code of conduct is available in the corporate governance section of the Company's website.

CORPORATE GOVERNANCE STATEMENT

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1

The Board should establish an audit committee.

The Board has established a separate Audit Committee.

Recommendation 4.2

The audit committee should be structured so that it consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair who is not chair of the board; and has at least three members.

The Audit Committee was comprised of Messrs Wright, Readhead and R Wanless, a majority of whom are deemed independent

The chair of the Audit Committee is currently Mr Wright who is also Chairman of the Board. Mr Wright is considered by the Board to be the most appropriate person to chair the Audit Committee given his relevant qualifications and experience. Further, given the size and level of activity of the Company and the division of authority between the Chairman and management, the Board does not consider that a different chair for the Audit Committee would further enhance the operation of that committee.

Recommendation 4.3

The audit committee should have a formal committee charter.

The committee operates in accordance with the Audit Committee charter. A copy of this charter is available in the corporate governance section of the Company's website.

Recommendation 4.4

Companies should provide the information indicated in the Guide to reporting on Principle 4.

| Audit Committee members | No. of meetings attended |
|--|--------------------------|
| Mr Wright (Chair) (independent non-executive) | 1 |
| Mr Readhead (deemed independent non-executive) | 1 |
| Mr Wanless | 1 |

The Company has established procedures for the selection, appointment and rotation of its external auditor. A copy is available in the corporate governance section of the Company's website.

The Board is responsible for the appointment of the external auditor acting on the recommendation of the Audit Committee. The Audit Committee reviews the external auditor annually in terms of their independence and performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged. The Audit Committee is responsible for ensuring that the external auditor has procedures in place to ensure rotation of the audit partner in accordance with requirements.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Board has adopted a formal continuous disclosure policy outlining procedures for compliance with ASX continuous disclosure requirements. The policy is based upon the Company's desire to promote fair markets, honest management and full and fair disclosure. The disclosure requirements must be complied with in accordance with their spirit, intention and purpose.

The purpose of the policy is to:

- Summarise the Company's disclosure obligations;
- Explain what type of information needs to be disclosed;
- Identify who is responsible for disclosure; and
- Explain how individuals at the Company can contribute.

CORPORATE GOVERNANCE STATEMENT

Recommendation 5.2

Companies should provide the information indicated in the Guide to reporting on Principle 5.

A copy of the Company's disclosure policy is available in the corporate governance section of the Company's website.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has adopted a formal continuous disclosure policy and communications guidelines. All information disclosed to ASX is posted on the Company's website as soon as it is disclosed to ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to ASX and posted on the Company's website. Procedures are in place to determine where price sensitive information has been inadvertently disclosed and if so, this information is released to ASX.

Recommendation 6.2

Companies should provide the information indicated in the Guide to reporting on Principle 6.

A copy of the Company's disclosure policy and the shareholder communication guidelines and policy are available in the corporate governance section of the Company's website.

Principle 7 – Recognise and manage risk

Recommendation 7.1 and Recommendation 7.2

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Given the current size of the Company and the Board, the Directors believe there are no efficiencies in forming a separate committee for the oversight of risk management issues and the Board as a whole performs this role.

The Company has adopted a risk management policy and guidelines which act as a de facto Risk Management Committee charter. When considering risk management the Board acts in accordance with the policy and guidelines.

In the course of general business and corporate governance, the Board reviews various facets of the Company's activities, evaluating risk issues and putting in place measures to mitigate certain manageable risks. Areas of particular interest include operational risk, title risk and financial risk.

The Company engages an insurance broking firm as part of the Company's annual assessment of the coverage for insured assets and risks.

The Board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately.

Recommendation 7.3

The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Mr Michael Fotios, Director (in the absence of a Managing Director) and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively.

CORPORATE GOVERNANCE STATEMENT

Recommendation 7.4

Companies should provide the information indicated in the Guide to reporting on Principle 7.

The Company's risk management guidelines and policy are available in the corporate governance section of the Company's website.

Principle 8 – Remunerate fairly and reasonably

Recommendation 8.1

The Board should establish a remuneration committee.

The Company has a separate remuneration committee which operates in accordance with the Remuneration Committee charter. The Remuneration Committee charter is available in the corporate governance section of the Company's website.

Recommendation 8.2

The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least three members.

The Remuneration Committee is comprised of Messrs Wright, Readhead and R Wanless, a majority of whom are deemed independent. It is chaired by Mr Wright who is independent.

Recommendation 8.3

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Non-executive directors are entitled to receive fees from an annual aggregate fee pool available as approved by shareholders from time to time. These fees, payable as fixed salary or as consultancy fees, are quoted as inclusive of any statutory superannuation component.

Executive directors and senior executives are entitled to receive a base salary and performance incentives where appropriate. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other companies in similar industries.

Recommendation 8.4

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Details of remuneration, including a summary of the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

| Remuneration Committee members | No. of meetings attended |
|--|--------------------------|
| Mr Wright (Chair) (independent non-executive) | 0 |
| Mr Readhead (deemed independent non-executive) | 0 |
| Mr Wanless | 0 |

There are no termination or retirement benefits for non-executive directors (other than appropriate statutory or salary sacrifice superannuation).

The Company's remuneration policy includes a statement that executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes.

SHAREHOLDER INFORMATION

Share Holding at 22 October 2014 – Ordinary fully paid shares (GMM)

Distribution of Shareholders

| Share holding | Number of holders of ordinary fully paid shares |
|------------------|---|
| 1 - 1,000 | 19 |
| 1,001 - 5,000 | 30 |
| 5,001 - 10,000 | 82 |
| 10,001 - 100,000 | 303 |
| 100,001 - over | 142 |
| | 576 |

Unmarketable Parcels

There are 403 shareholders who hold less than a marketable parcel.

Voting Rights

Voting rights are one vote per ordinary fully paid share

Names of the substantial holders:

| Shareholder | Number of shares |
|-------------------|------------------|
| Investmet Limited | 31,025,885 |

Top twenty shareholders

| Shareholder | Number of shares | % issued capital |
|---|-------------------|------------------|
| Investmet Limited | 31,025,885 | 23.10 |
| Whitestone Minerals Pty Ltd | 8,277,406 | 6.16 |
| Botsis Holdings Pty Ltd | 5,856,638 | 4.36 |
| Galaxy Resources Limited | 5,000,000 | 3.72 |
| Delta Resource Management Pty Ltd | 4,800,000 | 3.57 |
| Valdrew Nominees Pty Ltd | 4,000,000 | 2.98 |
| Mulloy Pty Ltd <Family A/C> | 3,333,334 | 2.48 |
| Quaalup Investments Pty Ltd | 3,300,000 | 2.46 |
| Black Raven Mining Pty Ltd | 3,000,000 | 2.23 |
| Ms Betty Jeanette Moore & Mr Philip Colin Hammond <BJM Superannuation Fund A/C> | 2,350,000 | 1.75 |
| Mr Philip Colin Hammond & Ms Betty Jeanette Moore <MGB Superannuation Fund A/C> | 2,000,000 | 1.49 |
| Michael George Fotios <The Michael Fotios Family A/C> | 1,600,000 | 1.19 |
| Vector Nominees Pty Ltd <The Vector Super Fund a/c> | 1,524,625 | 1.14 |
| Michael Wright | 1,500,000 | 1.12 |
| Hengolo Pty Ltd <C L Readhead Family a/c> | 1,375,000 | 1.02 |
| Mr Larry Thomas Cusack | 1,260,000 | 0.94 |
| Avanco Investments Pty Ltd | 1,045,885 | 0.78 |
| Mrs Wen Qian Xu | 1,000,000 | 0.75 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 1,000,000 | 0.75 |
| Farris Corporation Pty Ltd <The Farris Corp Unit A/C> | 1,000,000 | 0.75 |
| | 84,248,773 | 62.73 |

SHAREHOLDER INFORMATION

Option Holdings at 22 October 2014

Quoted options: GMMOB – exercisable at 12.5 cents each, expiring 3 September 2015

Distribution of option holders

| Option holding | GMMOB | |
|------------------|-------------------|------------|
| | Number of holders | of options |
| 1 - 1,000 | 32 | |
| 1,001 - 5,000 | 51 | |
| 5,001 - 10,000 | 20 | |
| 10,001 - 100,000 | 37 | |
| 100,001 - over | 1 | |
| | 141 | |

Top twenty option holders

| Option holder | GMMOB | |
|---|-------------------|--------------|
| | Number of options | % |
| Investmet Limited | 4,275,295 | 73.69 |
| Michael George Fotios <The Michael Fotios Family A/C> | 100,000 | 1.72 |
| Delta Resource Management Pty Ltd | 99,999 | 1.72 |
| Tromso Pty Limited | 80,000 | 1.38 |
| Vector Nominees Pty Ltd <The Vector Super Fund a/c> | 67,761 | 1.17 |
| Michael Wright | 66,666 | 1.15 |
| Silver Fern Holdings Pty Ltd <Alkoomi Super Fund No 1 A/C> | 66,666 | 1.15 |
| Mr Larry Thomas Cusack | 60,000 | 1.03 |
| Navigator Australia Ltd <MLC Investment Sett A/C> | 57,632 | 0.99 |
| William Geoffrey Kroon | 42,666 | 0.74 |
| Mr Philip William Farris & Mrs Jan Leanne Farris <Farris Family SFund A/C> | 40,000 | 0.69 |
| Mr Antonil Vallelonga & Mrs Anna-Rita Alda Vallelonga <AA & A-RA Vallelonga S/F A/C> | 33,333 | 0.57 |
| Mr Peter Charles Pritchard Farris & Mrs Susan Mary Farris <The Peter Farris S/F A/C> | 33,333 | 0.57 |
| Garic Pty Ltd | 33,333 | 0.57 |
| Hengolo Pty Ltd <C L Readhead Family a/c> | 33,333 | 0.57 |
| Vector Nominees Pty Ltd <The Vector Super Fund a/c> | 33,333 | 0.57 |
| Shot Duck Pty Ltd <Jogging Frog Investment A/C> | 30,426 | 0.52 |
| Est Mr Michael Richard Hamm | 29,133 | 0.50 |
| Mr Robert John McCauley | 25,000 | 0.43 |
| MS Tania Jane Loosely-Smith | 23,500 | 0.41 |
| | 5,231,409 | 90.17 |

SHAREHOLDER INFORMATION

Option Holdings at 22 October 2014

Unlisted options: GMMAI – exercisable at various prices with various expiry dates
 GMMAM – exercisable at 20 cents each with various expiry dates

| Class of options | Number of options | Number of holders | Holders of 20% or more | Number of options |
|------------------|-------------------|-------------------|--------------------------|-------------------|
| GMMAI | 19,666,666 | 4 | Investmet Limited | 6,066,666 |
| | | | Mulgara Minerals Limited | 10,000,000 |
| GMMAM | 550,000 | 3 | State One Stockbroking | 262,500 |
| | | | Skillway Holdings | 260,000 |

Restricted Securities

As at the date of this report there are no securities subject to restriction under the Listing Rules of ASX Limited and no securities subject to voluntary escrow.

On-market Buy-back

As at the date of this report, there is no current on-market buy-back.

TENEMENT SCHEDULE

As at 22 October 2014, General Mining Corporation Limited holds interests in the following mineral tenements:

| Location | Project | Licence Number | GMM interest |
|-------------------|--------------|----------------|------------------------|
| Western Australia | Shoemaker | E 69/1869 | 80% |
| | | E6 9/1870 | 80% |
| | | E 69/1871 | 80% |
| | | E 69/2763 | 100% |
| | Mt Success | M 58/72 | Option to acquire 100% |
| | | M 58/356 | Option to acquire 100% |
| | | P 58/1492-1493 | Option to acquire 100% |
| | | P58/1564 | Option to acquire 100% |
| | Mercury Hill | M 45/538 | 100% |
| | Chesterfield | M 51/270 | 100% |
| | | M 51/353 | 100% |
| | | M 51/451 | 100% |
| | | E(A) 51/1602 | 100% |
| | | E(A) 51/1603 | 100% |
| | | E(A) 51/1604 | 100% |